



Governors React to State Business Tax Index

By: Joseph Henchman - October 18, 2012

As you know, last week we released our **2013 State Business Tax Climate Index**, our annual comparison of state tax structures. The *Index* looks at over 100 variables to reduce many complex considerations to an easy-to-use ranking, providing a roadmap to improving each state's business tax climate.

This year's Index has already received wide attention, including statements made by the Governors of **Florida, Illinois, Maine** ("We are moving in the right direction and I am pleased to see it"), **Michigan, New Jersey** ("The fact that we moved from 50th to 49th is a testimony that we're moving in the right direction. We're not staying put."), **New York**, and **Wyoming** (Gov. Mead AND the Mayor of Cheyenne).

This may be my understatement of the week, but **New York Governor Andrew Cuomo certainly noticed our report**, in which his state fell from 49th best tax system in the country (2nd worst) to last place. A key aide of his was sent out to the media to attack the Tax Foundation, questioning our methodology and accusing us of anti-New York bias:

He accused the foundation of writing its report ranking New York dead last in the country in business tax climate "based on ideology and not facts."

"They basically took data and manipulated them to fit their world view," he charged. "They support a flax tax, not the progressive tax we have."

He questioned why property taxes, which he claims burdens businesses even more than the corporate taxes, wasn't weighed more heavily in the report.

For the record, New York was treated no differently than any other state in our methodology. The explanation is rather simple: **New York scores poorly because it has poorly structured taxes with high rates and narrow bases.** The state's economic success is thanks to a legacy of a once-great business

climate and good public services and opportunities. But New York's **taxes are now high and unfriendly**. It's not an ideological statement, it's a fact.

Business leaders split the difference, noting that our insights were realistic and helpful but praising Cuomo for some recent achievements (which, to his credit, include some positive changes that have yet to take hold). The **media also came to our defense**, backing our findings and getting Cuomo to admit to his extensive past citation of our work.

The *New York Daily News* in particular **took the Governor to task**:

Cuomo — who has made genuine efforts to slay the Vampire State — could have taken these harsh grades as evidence that the job is far from finished.

Unfortunately, he chose instead to bash the messenger.

Lashing out in an interview on Talk 1300 radio in Albany, Cuomo aide Larry Schwartz dismissed the Tax Foundation as a “right-wing think tank” and charged that its report was “based on ideology and not facts.”

“They basically took data and manipulated them to fit their world view,” Schwartz said.

One problem with this complaint is that Cuomo himself has approvingly cited the Tax Foundation’s research in the past — including in his first State of the State speech last year, when he declared: “We have the worst business tax climate in the nation, period.”

The foundation’s ideology and formula-driven methodology have not changed significantly since then. What’s different is that now it’s Cuomo’s record under attack — not George Pataki’s or Eliot Spitzer’s or David Paterson’s.

The *Buffalo News* cited other examples of the Governor rejecting unfavorable facts:

In his first booklet released during his 2010 campaign promoting his positions on various policy ideas, Cuomo, on page 35, cited a Tax Foundation report about New York’s high property taxes.

The governor also dismissed the latest media report, this time in the New York Times today, about the state's relatively high unemployment rates. "There are a number of ways to count the numbers," he said of the various aspects of unemployment and job creation reports put out by the federal government.

The *Rochester Democrat*: waved aside the "carping" and said the Governor must do more:

The widely respected think tank ranked New York dead last among the 50 states in terms of cumulative tax burden on businesses — property, sales, income, unemployment-insurance and corporate income taxes.

Cuomo officials carped about the foundation's methodology, but the fact remains: There is much to be done to improve New York's business and tax climates.

And, last but not least, the ***New York Times*** emphasized our non-partisan nature:

Last week, the Tax Foundation, a nonpartisan research group, ranked New York last among the 50 states for its business climate, while the conservative Cato Institute gave Mr. Cuomo a "D" grade in assessing his tax and spending record.

In a radio interview last week, Governor Cuomo's top aide, Lawrence S. Schwartz, said the reports were "more based on ideology and not facts," adding that the groups "took a bunch of data sets and manipulated them to fit their worldview."

Needless to say, it's been a busy week for us, especially dealing with New York media, including the always-colorful *New York Post* ("**Tax hell makes NY dead last for biz**"). The *Index* also got major citations from the Associated Press, CNN Money, ABC News, the *Wall Street Journal*, the *Seattle Times*, the *Florida Sun-Sentinel*, the *Detroit News*, the *Orange County Register*, the *New Jersey Star-Ledger*, CNET, *State Tax Notes*, and scores of local papers, radio and TV stations.

Each year, the *Index* is downloaded over 500,000 times and referenced in hundreds of media reports. The most recent version has already been

downloaded by 1,004 state legislators, including 13 state Speakers. The report's analysis is incorporated in state tax reform efforts year-round.

Even Gov. Cuomo has gotten constructive with it already, admitting that New York has "more work to do." As his tax study commission begins undertaking a comprehensive review of New York's tax system, we of course are happy to provide constructive suggestions for improvement (as we are this year in over a dozen states). No hard feelings, Governor?

My sincerest thanks to you for supporting our work to bring this information to policymakers, business leaders, and taxpayers. The pressure of rankings, along with our research and advice, will improve many state tax systems in the year ahead.

Read the *Index* report and the results here (download a PDF version here.)